

Town of Frederick Town Board



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IM 2009- 016

Discussion of Timing of Collecting Building Permit Fees

Agenda Date: September 8, 2009

Attachments:

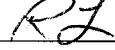
- a. Applicable sections of the Municipal Code Chapter 13
- b. Sample Residential Building Permit for 8833 Shetland Dr.
- c. Sample Non-residential Building Permit for 8337 Raspberry Way
- d. Article titled "Cities give builders a break on permits" from the Northern Colorado Business Report dated August 14-27, 2009

Issue/Request:

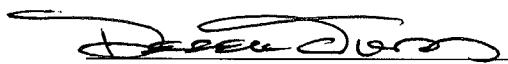
This IM is intended to start a conversation regarding the timing of building permit fee collection.

Submitted by:

Jennifer Simmons 
Planning Director

Richard Leffler 
Town Engineer

Approved for Presentation:


Town Administrator

AV Use Anticipated

Projector _____ Laptop _____

Certification of Board Review:

Town Clerk

Date

Detail of Issue/Request:

A local builder approached a Town staff member and asked if it would be possible for the Town to defer the collection of building permit fees. The builder stated that this would help them get financing and create a Town advantage when builders considered which community to build in. The question was then discussed by the Planning Director, Town Engineer, Chief Building Official, and Finance Director.

In general, it is possible to collect a portion of the building permit fees when the permit is issued and then collect the remaining fees later in the process. Consider the attached residential permit. The builder of this home had to pay \$23,076.59 before the permit would be issued. Staff is seeking direction on whether or not the Board would like to consider having the builder pay the Permit Fee, Plan Review Fee, Construction Meter, and Electrical fee prior to issuing the building permit. The remaining costs including: water tap fees, CWCW Capital Improvement fee, Frederick Capital Improvement fee, C-BT Water Share, Tap Installation, General Capital Impact fees, Electrical Impact fees, Park Improvement fees, Open Space Impact fees, Transportation Impact fees, Drainage Impact fees, and Sales and Use Tax, could be collected at the time the final inspection is requested.

Paid at time Building Permit issued		
Permit Fee		\$1,861.75
Plan Review		\$1,210.14
Construction Meter		\$37.00
Electrical		\$83.95
TOTAL DUE		\$3,192.84

Paid at time Final Inspection requested		
Water Tap Fees		
C-BT Water Share		
Tap installation		\$750.00
Improvement fees:		
CWCW Capital		\$10,000.00
Frederick Capital		\$1,000.00
Impact fees:		
General Capital		\$1,500.00
Electrical		\$250.00
Park Improvement		\$1,000.00
Open Space		\$500.00
Transportation		\$1,456.00
Drainage		\$250.00
Sales and Use Tax		\$3,177.75
TOTAL DUE		\$19,883.75

In this example, only \$3,192.84 would be paid at the time the permit is issued. The remaining \$19,883.75 would be paid prior to a final inspection being completed. This may not seem to be a significant change considering the valuation listed for this particular home was listed as \$254,219.96 and the home buyer probably paid more than that. However, by deferring the bulk of the permit costs, the home builder is able to defer these costs and take out a smaller construction loan. It is true that the builder will likely have to take out another loan for the deferred costs, but a bank is more likely to provide a loan for this "small" amount for a short period of time when there is a nearly finished asset to loan against.

It is important to note that these fees are still being collected. They're simply being collected at the end of the building process rather than at the beginning of the process. We feel this is a way to provide an advantage to the Town when a builder is choosing where to build. The change could be applied to both residential and non-residential permits.

In order to make these changes, updated language in the Municipal Utilities chapter would be necessary. Currently, there are references to the fees for water, electric, and storm drainage being collected at the time of building permit. This language would need to be amended prior to being able to make this change. If the Board chooses to direct staff to make this change, an ordinance would be brought back for consideration at the September 22 Board of Trustees meeting.

Legal/Political Considerations:

Conceptually this is a good idea. The concern would be the one or two who might not pay and then not get the final inspection. The Town would be protected if the builder signed a promissory note and deed of trust to secure the unpaid fees. No interest would be charged for a period of one year. At the time of payment, the deed of trust would be released and the promissory note cancelled. We could prepare a very straight forward form of deed of trust and promissory that could be filled out at the time the building permit is pulled. The promissory note and deed of trust would be signed by the company pulling the building permit and guaranteed by the individual.

Alternatives/Options:

The Board of Trustees may choose to either change the timing of when fees are collected or choose to continue with the existing practice of collecting building permit fees prior to the permit being issued. This may be an alternative that is tried for a temporary period before making a final decision on whether or not it should be permanent. Should you choose to change the timing, an ordinance would be prepared with amended language for Chapter 13. It is staff's opinion that collecting certain impact related fees later in the building construction process is reasonable since these types of fees are intended to address the impacts that new development will have on utilities and similar services. The impacts arguably do not actually occur until a building is actually occupied.

Financial Considerations:

Unknown

Staff Recommendation:

Staff seeks the direction of the Board of Trustees.